

Economic Analysis of November 1999 Tiered Pricing Proposal for PEIS Preferred Alternative

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This submittal presents the results of an Economic Analysis of the application to the PEIS Preferred Alternative of the November 1999 unit rates for CVP water and Tiered Pricing Proposal.

The PEIS Preferred Alternative included assumptions for the tiered pricing of CVP water that were developed during the preparation of the Draft PEIS. Subsequent to completion of the Final PEIS, a different tiered pricing proposal was developed. In addition, the PEIS assumed 1992 CVP water rates. This analysis includes the 1999 water rates. This submittal applies the new water rates and the November 1999 proposal to the Preferred Alternative and compares the results to the impact analysis of the PEIS Preferred Alternative. The level of detail presented in this submittal is consistent with the level of detail presented in the main PEIS document and the technical appendices. Tables are presented in the same format as used in the PEIS.

The economic analysis includes an evaluation of agricultural economics using Central Valley Production Model (CVPM), municipal and industrial water use economics for CVP water using the spreadsheet presented with the PEIS, and regional economics using IMPLAN. This memorandum discusses the new assumptions in the November 1999 proposal. However, this memorandum does not discuss the basic assumptions used in the PEIS models and analytical tools. This memorandum must be used in conjunction with the Draft PEIS and Final PEIS, including the methodology and modeling technical appendices, to explain the overall assumptions for evaluating the Preferred Alternative in the PEIS.

For the Agricultural Land Use and Economics analysis, the methodology used for applying CVP water rates was modified to allow for the new tiered pricing and the use of blended rates to determine a total water rate for all CVP water applied by an irrigation district or agency. These changes result in changes in water use due to the affordability of CVP water supplies, not a change in reliability.

For the Municipal and Industrial Water Use Economics analysis, blended rates had been used in the PEIS analysis. In addition, this analysis assumes that the municipal and industrial users will be able to afford the calculated water costs, as described in the PEIS. Therefore, CVP water deliveries do not change for the municipal and industrial analysis. The Regional Economics analysis reflects only changes to agricultural and municipal and industrial sectors, but not recreation sectors.

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